



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

Marshall Vogts
Director
Community Development Services
Department of Commerce
State of Oklahoma
900 N Stiles Ave
Oklahoma City, OK 73104

Dear Mr. Vogts:

SUBJECT: Community Development Block Grant-Disaster Recovery
Monitoring Dates: June 5-9, 2023
Grant Number: B-19-DF-40-0001

From June 5-9, 2023, this office conducted a monitoring review of the above referenced grant to assess your organization's performance and compliance with applicable Federal requirements. Program performance was assessed through a review of operations, file documentation, and interviews. The purpose of this letter is to transmit the U.S. Department of Housing and Urban Development's (HUD) monitoring report, which provides the details of our review. HUD's review of program performance may result in the identification of Findings, Concerns, or exemplary practices.

A Finding is a deficiency in program performance based on a violation of a statutory or regulatory requirement. A Concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee's attention. An exemplary practice is a noteworthy practice or activity being carried out by the grantee and may possibly be duplicated by another grantee. The enclosed report contains one Finding and one Concern.

If the State disagrees with any of HUD's determinations or conclusions in this monitoring report, please address these issues in writing to the Department within 30 days of the date of this letter. The State's written communication should either provide supporting information to demonstrate the requirement has been met, or explain your reasons why the State disagrees, along with supporting evidence. While a response is not required for Concerns, HUD would appreciate any information the State would like to provide. All official correspondence related to this monitoring letter should be directed to Disaster_Recovery@hud.gov.

I would like to thank your staff for their professionalism and cooperation during the review. The ODOC is carrying out valuable programs that are successfully supporting housing and community development activities. If you have any questions regarding the results of this monitoring report, please contact Celeste Washington, Community Planning, and Development Specialist at Celeste.Washington@hud.gov.

Sincerely,

Tennille Smith Parker
Director
Office of Disaster Recovery

**U.S. Department of Housing and Urban Development
Office of Disaster Recovery**



Monitoring Report

**Community Development Block Grant Supplemental
Disaster Recovery Funds**

State of Oklahoma

Grant Number	Grant Amount
B-19-DF-40-0001	\$36,353,000

Monitoring Dates: June 5-9, 2023

OVERVIEW

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency, and that programs are carried out in compliance with applicable laws and regulations. It assists grantees in improving performance, developing or increasing capacity and augmenting management and technical skills. Also, it provides a method for staying abreast of Community Planning and Development (CPD)-administered programs and technical areas within the communities that HUD programs serve. Monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. In determining which grantees will be monitored, HUD uses a risk-based approach to rate grantees, programs and functions, including assessing HUD's exposure to fraud, waste and mismanagement. This process not only assists HUD in determining which grantees to monitor, but also identifies which programs and functions will be reviewed.

Specifics relating to this review are as follows:

Date(s) Monitoring Conducted:	June 5-9, 2023.
Type of Monitoring:	Onsite
HUD Reviewer(s):	Celeste Washington, CPD Specialist Jerald Ferguson, Disaster Recovery Grant Reporting System (DRGR) Specialist Robin Gibson, CPD Specialist Ursula McLendon, Regional Relocation Specialist Timothy Prowse, CPD Specialist Jo Ann Wilkerson, CPD Specialist
Grantee Staff:	Marshall Vogts, Director, Community Development Services Kellon Dixon, Director of Programs Jade Shane, Program Planner Rebecca LaVictoire, Community Development Program Manager
Entrance Conference:	
Date	June 5-9, 2023
HUD Participants:	Aaron Gagne, Assistant Director Celeste Washington, CPD Specialist Jerald Ferguson, DRGR Specialist Robin Gibson, CPD Specialist Ursula McLendon, Regional Relocation Specialist Timothy Prowse, CPD Specialist Jo Ann Wilkerson, CPD Specialist

Grantee Staff: Marshall Vogts, Director, Community Development Services
Kellon Dixon, Director of Programs
Jade Shane, Program Planner
Rebecca LaVictoire, Community Development Program Manager

Exit Conference:

Date

June 8, 2023

HUD Participants:

Phyllis Foulds, Assistant Director
Celeste Washington, CPD Specialist
Jerald Ferguson, DRGR Specialist
Robin Gibson, CPD Specialist
Ursula McLendon, Regional Relocation Specialist
Timothy Prowse, CPD Specialist
Jo Ann Wilkerson, CPD Specialist

Grantee Staff: Marshall Vogts, Director, Community Development Services
Kellon Dixon, Director of Programs
Jade Shane, Program Planner
Rebecca LaVictoire, Community Development Program Manager

SUMMARY OF RESULTS AND CONCLUSIONS

The following areas were reviewed:

- Overall Management.
- Infrastructure and Public Facilities.
- Flood Zone and Floodway Buyouts & Written Agreements Housing New Construction – Single Family.
- Uniform Relocation Assistance and Real Property Acquisition Act (URA) Technical Assistance (TA).

Exhibits from the *Community Planning and Development Monitoring Handbook 6509.2* were used to guide the review. These exhibits are available online at: https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2.

This report details the results of the monitoring review and contains one Concern and one Finding. The report also identifies TA provided as a component of the monitoring review.

SCOPE OF REVIEW

The State of Oklahoma currently administers two Community Development Block Grant disaster recovery (CDBG-DR) awards totaling approximately \$130 million in grant funds. These grant funds were allocated to the State in response to disasters in 2013 and 2019. HUD has allocated an additional \$7,473,000 to the State of Oklahoma under Public Law (P. L.) 117–180 in response to disasters in 2022. These grant funds have not yet been obligated to the State. The State of Oklahoma’s CDBG-DR grants are administered by the Oklahoma Department of Commerce (ODOC).

This review focused on the grant awarded to the State of Oklahoma for disasters that occurred in 2019. *Federal Register* notice 85 FR 4681 governs this disaster appropriation under P. L. 116-20. HUD conducted its monitoring by examining policies and procedures, grant management systems, project files, and by interviewing ODOC grant management staff.

AREAS REVIEWED AND RESULTS

OVERALL GRANT MANAGEMENT

The purpose of this review was to determine if ODOC had developed systems and procedures for ensuring that CDBG-DR funds are used in accordance with program regulations at 24 CFR Part 570, the requirements in the applicable *Federal Register* notices, and the published action plans. As a part of this evaluation, HUD reviewed the grantee’s policies and procedures, and systems for tracking progress, monitoring performance, and documenting accomplishments for grants awarded in response to the 2019 disaster. HUD also reviewed Disaster Recovery Grant Reporting (DRGR) System reports, the grantee’s organizational chart, Policies and Procedures Manual (Subrecipient Grant Management Guide – effective May 7, 2023), and the grantee’s 2019 CDBG-DR Quarterly Projections and Expenditures. The following exhibits were used for the Overall Management review:

- Exhibit 6-1 Guide for Review of Overall Management of Supplemental CDBG-DR Grants.
- Exhibit 6-14 Addendum Guide for Review of CDBG-DR 2017 Disasters (as applicable for 2019 disaster review).

Staff Capacity

Since 2013, ODOC has been the designated agency for long-term disaster recovery for the State of Oklahoma and is responsible for administering CDBG-DR grant funds awarded to the State. The grantee has had experienced significant staff turnover and at the time of the visit, had one full-time employee dedicated to the grant. However, ODOC leadership informed HUD that it was in the process of securing additional staff. HUD will continue to assess the State’s staffing plan and capacity through the Financial Certification process for the upcoming 2022 disaster award.

Public Website

CDBG-DR grantees must maintain a public website that provides information on the use and management of grant funds. The website must have a separate page dedicated to disaster recovery and include links to all action plans, action plan amendments, program policies and procedures, performance reports, citizen participation requirements, and various other information detailed in the applicable *Federal Register* notices for each appropriation.

HUD reviewed ODOC's public website and found that it includes links to all required information. The website was user-friendly and easy to navigate, containing links to subpages for each of the State's active CDBG-DR grants. The Department also reviewed the grantee's policies and procedures for website maintenance and found them adequate to ensure proper updates.

Citizen Complaints

HUD reviewed the grantee's policies and procedures for receiving, tracking, and responding to citizen complaints. There were no recorded complaints at the time of the monitoring visit, but HUD noted that the grantee's guidelines included a detailed process for complaints received by subrecipients. The grantee provided a spreadsheet that is currently being used to compile quantitative information about complaints such as the total number complaints received by email, phone, submitted virtually or in-person, however, the procedures did not appear to extend to complaints received directly by the State. HUD provided TA to the grantee and suggested enhancements to the procedures and improvements to the tracking spreadsheet to identify who made the complaint, information on the complaint and follow-up actions to resolve the complaint. In addition, HUD suggested that in the event of a written complaint, a copy of the original letter or email should be stored electronically.

Subrecipient Monitoring

HUD reviewed the grantee's subrecipient monitoring policies and procedures which require the State to perform on-site monitoring when a subrecipient has expended 50 percent and 85 percent of its grant funds respectively, or earlier if the subrecipient is considered high-risk. None of the subrecipient managed programs under the 2019 disaster grant had met those expenditure thresholds yet, and therefore, there were no subrecipient monitoring records to review. HUD will examine ODOC's subrecipient monitoring practices during a future visit when programs have progressed further.

Internal Auditor

The State has contracted with an outside firm for its internal auditor functions. HUD reviewed the internal audit report dated December 31, 2022, that referenced an unresolved Finding from the previous (September 30, 2022) report in which the grantee had incorrectly expensed payroll to the 2019 CDBG-DR grant. The Finding was promptly resolved by the grantee upon receipt of the December audit. HUD provided TA on reviewing, responding to and documenting responses to internal auditor Recommendations and Findings.

Financial Reporting and Consolidated Plan Updates

CDBG-DR grantees are required to submit a Quarterly Progress Report (QPR) through DRGR within 30 days of each calendar quarter end. HUD noted that the grantee was delinquent in submission of the DRGR QPR for the period ending March 31, 2023. The Department has provided TA to the State to address DRGR system updates and reporting and the grantee has made marked improvements with both. HUD will continue to work with the grantee to ensure QPRs are submitted in a timely manner and in accordance with HUD requirements.

The January 27, 2020, *Federal Register* notice requires grantees to incorporate any unmet disaster-related needs and associated priorities into the grantee's consolidated plan update. For 2019 disaster recovery grants, the consolidated plan updates should have been submitted no later than the Fiscal Year (FY) 2022 submission (85 FR 4681 at page 4687 Section IV.B.7.). HUD reviewed the State's consolidated plan and found that it had not been adequately updated, resulting in Finding 1 as described in the Conclusion and Analysis portion of this review.

Financial Thresholds

CDBG-DR grant expenditures must comply with financial thresholds and expenditure deadlines defined in the applicable *Federal Register* notice. HUD staff reviewed DRGR financial data related to the 2019 Disaster grant with details of that review provided below:

Overall Benefit

ODOC must ensure that at least 70 percent of CDBG-DR funds (excluding funds for planning and administration) are expended on activities which principally benefit low- to moderate-income (LMI) persons. HUD reviewed data in DRGR and found that the grantee has currently budgeted 70 percent (\$23,061,332) from its housing and infrastructure program funds to meet the LMI National Objective. Although many of the recovery programs have not fully launched and only a small amount of grant funds has been drawn to date, the grantee has budgeted appropriately to meet the overall benefit requirement.

Progress toward Expenditure Deadlines

The State of Oklahoma's 2019 disaster recovery grant was executed on July 7, 2021, and has a six-year term. At the time of the monitoring visit, 23 months had passed since obligation of the grant funds, representing over 31 percent of the grant term. At that time, ODOC had drawn \$640,686.50 of the grant, representing less than two percent of the total award. The grantee is not currently on pace to meet the expenditure deadline for the grant due to the delayed launch of its recovery programs. ODOC staff advised HUD that the expenditure rate for the 2019 grant would be increasing within the next year as the housing and infrastructure programs are launched. HUD will continue to monitor and assess the expenditure rate of the grant and reminds the grantee to update its expenditure and performance projections to reflect the delayed launch of its recovery programs.

Administration Cap and Expenditure Rate

Grantees may use no more than five percent of the grant award to fund grant administration costs and must ensure that its grant administration funds will last through the completion of each grant. HUD examined DRGR financial data for the 2019 Disaster grant and compared the percentage of administration funds drawn to the expired term of the grant award.

For the 2019 grant, ODOC budgeted five percent (\$1,817,650 .00) of the grant funds for grant administration. At the time of HUD's monitoring visit, the grantee had drawn \$285,396 (15.7 percent) of its grant administration funds while over 31 percent of the grant term had expired. The grantee complies with the grant administration funding cap and the expenditure rate for the grant administration funds based on the expired term of the grant.

Analysis and Conclusion of the Overall Grant Management Review

HUD's review of Overall Grant Management resulted in one Finding.

Finding 1: Grantee did not incorporate disaster recovery needs into its Consolidated Plan.

Criteria: 85 FR 4687, which states: "Any unmet disaster-related needs and associated priorities must be incorporated into the grantee's next consolidated plan update no later than FY 2022 for 2019 disasters."

Condition: State of Oklahoma's Consolidated Plan does not include unmet disaster-related needs as a result of the 2019 disasters.

Cause: The grantee indicated that it received guidance from HUD indicating that there was no requirement to update the Consolidated Plan. As such, the grantee did not incorporate disaster recovery needs into its FY 22 or FY 23 plan.

Effect: Not incorporating disaster recovery needs into the Consolidated Plan may prevent the grantee from ensuring HUD funds are applied appropriately across all program areas to address identified needs and priorities of the grantee.

Corrective Action: The Department acknowledges that the guidance Oklahoma was unclear regarding Consolidated Plan requirements. The Department will close the Finding once ODOC incorporates its disaster related needs into its Consolidated Plan in its next update and provide a copy of the updated Consolidated Plan to the HUD CPD Specialist assigned to manage the CDBG-DR grant. The Department understands that the grantee is creating its FY24-28 plan now and will likely complete this update by April 1, 2024.

HOUSING- VOLUNTARY BUYOUT PROGRAM

HUD conducted a review of the grantee's Voluntary Buyout Program (VBP) funded under the State's 2019 CDBG-DR grant for compliance with CDBG-DR requirements, Oklahoma VBP

policies and procedures, and the State's 2019 CDBG-DR Action Plan. The Department interviewed grantee staff and reviewed the VBP policies and procedures, 2019 CDBG-DR Anti-Displacement and Relocation Plan, subrecipient guidance and written agreements with the administering local governments. The following exhibits were used for the program review:

- Exhibit 6-2: Guide for Review of Flood Zone and Floodway Buyouts and Non-Buyout Acquisitions
- Exhibit 6-7: Guide for Review of Written Agreements.

The VBP is designed to help eligible citizens relocate from the 100-year floodplain, floodway, or Disaster Risk Reduction Areas. The goal of the program is to buyout properties and convert them to open space or floodplain management areas. Participation in the program is voluntary. There are two VBP under the State's action plan: the Tulsa County VBP, administered by Tulsa County, and the Moffett VBP, administered by the Eastern Oklahoma Development District (EODD). At the time of the monitoring visit, the subrecipients were preparing for launch of the respective programs in early fall 2023 and had provided public education and outreach to the targeted communities. The program administrators had also initiated the environmental review process. According to ODOC staff, the Tier 1 environmental review for the Tulsa County program was complete, and Moffett's Request for Release of Funds had been submitted and was under review. Table 1 below provides a summary of the programs:

Table 1: Voluntary Buyout Program

Program Name/ Location	Responsible Organization	National Objective	Projected # Households	Total Budget
Moffett	EODD	Low/Mod Income	10	\$2,000,000
Tulsa County	Tulsa County	Low/Mod Income	77	\$14,750,000
		Urgent Need	11	

**Information retrieved from F67 and F41 DRGR Oklahoma B-19-DF-40-0001 Reports dated 05/22/2023.*

The grantee's staff described the TA provided to program subrecipients, which covered buyout program guidelines, federal and state requirements, and the records that must be submitted to the grantee to comply with the subrecipient agreements. The grantee also provided HUD with its procedures on tracking and documenting program progress, and staff reported that they have conducted desk-monitoring of the subrecipients. HUD will continue to monitor and assess the progress of these programs as they are fully implemented.

Analysis and Conclusion of the Voluntary Buyout Review

HUD found the VBP Guidelines were sufficient to facilitate program implementation and consistent with grantee's 2019 CDBG-DR Action Plan and 2019 Policies and Procedures Manual. The VBP Guidelines include eligibility requirements for subrecipients and beneficiaries, national objectives, recordkeeping requirements, and an appeals process. The policies and procedures ensure compliance with federal cross-cutting requirements. In addition, the grantee's 2019 CDBG-DR Anti-Displacement and Relocation Plan describes how the State will provide fair and equitable

treatment of tenants who are displaced in connection with the State's VBP.

The subrecipient written agreements with Tulsa County and EODD were sufficient for disaster tie-back and national objective to support compliance with applicable State guidelines and Federal requirements. The VBP Guidelines and the 2019 Policies and Procedures Manual are annexed and incorporated as part of the subrecipient written agreements.

Based on this monitoring review, there are no Findings or Concerns for this program area.

INFRASTRUCTURE

HUD staff reviewed the State's Public Facilities and Public Improvements Program for compliance with applicable federal requirements, the grantee's 2019 CDBG-DR Action Plan, 2019 Policies and Procedures Manual, CDBG-DR 2019 Public Facilities and the Public Improvements Guidelines and Project Management Guide. The Department used the following CPD Monitoring Exhibits for the review:

- Exhibit 6-4 Guide for Review of Infrastructure and Public Facilities
- Exhibit 6-14 Addendum Guide for Review of CDBG-DR 2017 Disasters (as applicable for 2019 disaster review).

Prior to the monitoring visit, the grantee provided HUD with a list of individual activity files under the program. HUD selected two of the files within the Most Impacted and Distressed area: Muskogee (Contract #18664 CDBGDR 19) and Webbers Falls (Contract # 18538 CDBGDR 19) for further review. Like other programs under the 2019 disaster grant, the Public Facilities and Public Improvements Program activities are still in the implementation phase and have not yet launched. However, HUD did compare documentation in each subrecipient file to the grantee's prescribed policies and procedures. Both selected subrecipients are small local government entities, and each had selected the EODD to administer the respective grant funded projects. The review resulted in one recordkeeping Concern detailed below.

The Department also provided TA and made recommendations to ODOC on its program guidelines and provided additional guidance and recommendations on duplication of benefits, and recordkeeping for activity files. HUD will continue to assess the progress of the Infrastructure and Public Facilities Program through the grantee's QPRs and future monitoring visits.

Analysis and Conclusion of the Infrastructure Program Review

Based on the interviews and review of the above documentation, the Department determined that the Public Facilities and Public Improvements Program is compliant with applicable standards. As a result, there are no Findings. There is one Concern for recordkeeping as detailed below:

Concern 1: Subrecipient activity files under the Public Facilities and Public Improvements Program did not include documentation identified in the grantee's program guidelines.

Condition: Activity files did not have sufficient documentation to verify the capacity of the selected project administrator for each subrecipient applicant and did not include the procurement procedures that would be used to carry out the projects. Documentation of both are required under

the grantee's 2019 CDBG-DR Policies and Procedures Manual to allow ODOC to assess the subrecipient's ability to carry out the funded activities under its subrecipient agreements.

Cause: ODOC did not document its capacity assessment for the administration of sub-recipient activities as required under the grantee's 2019 CDBG-DR Policies and Procedures. Specifically, ODOC identified EODD as the administrator (subrecipient) for the Voluntary Buyout Program. ODOC's policies and procedures clearly require documentation from each subrecipient applicant to ensure sufficient capacity to manage the CDBG-DR funded activities. The program applicants are also required to submit procurement procedures that will be used to carry out the projects. In each reviewed file, HUD found that there was no additional documentation to explain how ODOC assessed EODD's capacity to administer the program or any previous programs or projects that EODD had completed successfully. HUD recognizes that EODD is a cooperative council of government that is likely to have experience and capacity to administer the programs, however, the documentation did not include evidence to support that or to show that the grantee had evaluated EODD's capacity or experience. Furthermore, the files did not include the required procurement procedures that should have been included as Attachment N, per ODOC's policies and procedures.

Effect: The grantee's program guidelines provide assurances that each subrecipient will have sufficient capacity and procurement procedures to administer CDBG-DR funded projects. However, without the proper documentation in the applicant files, there is no evidence that such an assessment occurred, or that proper procurement procedures will be applied to the grant funds.

Recommended Corrective Action: The grantee should review each subrecipient application file to ensure the required documents are included and support the capacity assessment and procurement requirements for each of the funded activities, as well as any other documentation that is required under ODOC's program guidelines.

TECHNICAL ASSISTANCE

Uniform Relocation Act and Section 104(d)

HUD's Regional Relocation Specialist reviewed the grantee's policies and procedures to determine if ODOC is following specific regulatory requirements governing the use of funds under the 2019 Disaster appropriation (P.L. 116-20) and provide TA as needed.

Grantee policies were examined to determine whether ODOC had the appropriate URA and Section 104(d) regulations and guidance materials available for staff and subrecipients, to conduct its programs effectively. The State presented relevant documents including the Policies and Procedures Manual, the 2019 CDBG-DR Manual and the CDBG DR Data Storage and Retention Policy. HUD found the documents comply with 49 CFR Part 24, as well as all other applicable statutes, regulations, and requirements, related to acquisition, demolition, and rehabilitation activities. ODC staff members were also consulted and appeared to be very knowledgeable of the URA and Section 104(d) requirements.

HUD also reviewed the grantee's 2019 CDBG-DR Anti-Displacement and Relocation Plan and found it to be concise and compliant with 24 CFR 42.325(a); CDBG: 24 CFR 570.606(c); HOME 24 CFR 92.353(e). HUD staff provided the following recommendation to grantee staff to strengthen and clarify one of the policies, "*Page 103-104 of the Policies & Procedures*

Manual – Subrecipient Grant Management Guide for 2019 CDBG-DR, provides guidance for subrecipients on the Residential Anti-displacement and Relocation Assistance Plan.” HUD noted that the policy language did not include tenants.

The “Relocation Notices” section currently states:

“Notice of Eligibility: This notice describes the relocation assistance available for households that will be displaced by the project. This letter is sent to property owners, as soon as feasible.”

HUD recommends the language be modified as shown below:

*“Notice of Eligibility: This notice describes the relocation assistance available for households that will be displaced by the project. This letter is sent to **tenants and** property owners, as soon as feasible.”*

HUD commends the State for having an appeals/complaints process within its programs but recommended providing more details on point of contact information, as well as providing opportunities for “walk-in” or “in-person” contact for customers that may have technology challenges.

OUTSTANDING FINDINGS AND CONCERNS

There are no outstanding Findings or unresolved Concerns for this grant from previous HUD monitoring visits. HUD appreciates the dedication of ODOC and the State of Oklahoma in its disaster recovery and resilience efforts and looks forward to the launch of its projects and activities.